Information Request AG-2-7

Referring to Exhibit 5, page 3 ("Incremental Operating Cost"), please provide a copy of the source documents, workpapers, calculations, formulas, and assumptions used to determine the amounts indicated on that page.

Response

CONFIDENTIAL MATERIAL ATTACHED

Please refer to Attachment AG-2-7(a) **CONFIDENTIAL** for an eight-page document showing the Company's forecast of Incremental Operating Cost. Please also refer to Attachment AG-2-7(b) **CONFIDENTIAL** for a copy of the "Seabrook Station 2002 Budget and 2003 - 2006 Forecast" ("Seabrook Budget") prepared by NAESCo (the entity that operates the unit) on which much of the Company's forecast was based. To assist in understanding the relationship between the Seabrook budget and the Company's analysis, the following notes may be useful.

- The Seabrook Budget is for the unit as a whole, of which Canal's share is 3.52317 percent. All information taken from the Seabrook Budget is multiplied by that rate to arrive at the data in Attachment AG-2-7(a).

- The Seabrook Budget on page 7 states that the expected Capacity Factor is 96 percent. However, the Company believes that, although this is an appropriate goal for budget purposes, for internal analysis we have assumed a 92 percent Capacity Factor based on the plant's actual lifetime performance. To determine the Company's share of MWH generation from the [REDACTED] of the Seabrook Budget for 2003, this amount is first multiplied by .95833 (92/96 = .95833) to adjust for the Capacity Factor and then by 3.52317 percent to give Canal's [REDACTED] share. Generation for years 2003 – 2006 is calculated from the Seabrook Budget this way, for the years beyond 2006, the amounts for outage and non-outage years repeat through the end of life.

- The projection of O&M expenses on pages 5 and 6 of Attachment AG-2-7(a) is derived from Page 9 of the Seabrook Budget, using only the lines titled "Operations & Maintenance", "Refueling Outage", "Administrative

& General" and "Waste Disposal Fee". In addition, based on current outage budget information that was available in April 2002, the Company increased its projections of Outage Costs by $3.2 million before taking its 3.52317 percent. Since the Seabrook Budget is stated in 2002 dollars, the Company inflated these amounts by 3 percent a year to forecast its Incremental Operating Cost. This calculation appears on the lower section of Attachment AG-2-7(b), page 5.

- The Company's calculation of Taxes Other than Income on pages 7 and 8 of Attachment AG-2-7(a) is derived from page 21 of the Seabrook Budget, assuming the same 3 percent inflation rate.

- The Company's calculation of fuel amortization on pages 3 and 4 of Attachment AG-2-7(a) is based on actual current fuel amortization amounts of approximately $100,000 per month, which is then inflated by 3 percent for future years. Since fuel amortization occurs only when the unit is operating, outage years include only 11/12ths of a full year's amortization in recognition of expected 30 day refueling outages (Seabrook Budget page 7).

- The Company's forecasted decommissioning contributions are the amounts established by the New Hampshire Decommissioning Finance Committee ("NDFC") in their November 5, 2001 order. Canal pays one twelfth of this amount into the decommissioning fund each month.

The documents attached contain competitively sensitive information. Accordingly, the Company requests that these documents be protected from public disclosure, as detailed in the Company's June 24 Motion for Protective Treatment, filed separately. In addition, the attached materials are subject to the Non-Disclosure Agreement executed between the Attorney General and the Companies relative to this proceeding.